

**REPORT OF THE AUDIT OF THE
BOYD COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2010**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BOYD COUNTY FISCAL COURT

June 30, 2010

The Auditor of Public Accounts has completed the audit of the Boyd County Fiscal Court for fiscal year ended June 30, 2010. We have issued unqualified opinions, based on our audit, on the governmental activities, business-type activities, and each major fund of Boyd County, Kentucky.

The financial statements of the Boyd County Sanitation District No. 4, a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Boyd County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion on the discretely presented component unit.

Financial Condition:

The fiscal court had net assets of \$12,212,782 as of June 30, 2010. The fiscal court had unrestricted net assets of \$1,300,905 in its governmental activities as of June 30, 2010, with total net assets of \$12,139,533. In its business-type activities, total net cash and cash equivalents were \$63,833 with total net assets of \$73,249. The fiscal court's discretely presented component unit had net assets of \$5,867,490 as of June 30, 2010. The discretely presented component unit had net cash and cash equivalents of \$938,336. The fiscal court had total debt principal as of June 30, 2010 of \$44,539,707 with \$1,679,711 due within the next year. The discretely presented component units had total debt principal as of June 30, 2010 of \$2,565,020 with \$418,265 due within the next year.

Report Comments:

- | | |
|---------|---------------------------------------------------------------------------------------------------------------|
| 2010-01 | The County Spent \$352,890 That Was Not Shown On Their Financial Reports And Not Approved By The Fiscal Court |
| 2010-02 | The County Should Bid All Expenditures Over \$20,000 |
| 2010-03 | Invoices Should Be Paid Within Thirty Working Days |
| 2010-04 | Interfund Transfers Of \$3,491,003 Were Not Approved By The County |

Deposits:

The fiscal courts deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable William C. Stevens, Boyd County Judge/Executive
Members of the Boyd County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Boyd County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Boyd County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Boyd County Sanitation District No. 4, a discretely presented component unit, which represents 100 percent of the assets and revenues of the discretely presented component opinion unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Boyd County Sanitation District No. 4 is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Boyd County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of Boyd County Sanitation District No. 4, a discretely presented component unit of the Boyd County Fiscal Court, as presented in accordance with the accrual basis of accounting and therefore, include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis. The amounts by which these accruals affect the financial statements are not reasonably determinable.



To the People of Kentucky
 Honorable Steven L. Beshear, Governor
 Lori H. Flanery, Secretary
 Finance and Administration Cabinet
 Honorable William C. Stevens, Boyd County Judge/Executive
 Members of the Boyd County Fiscal Court

In our opinion, based upon our report and the report of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Boyd County Sanitation District No. 4's financial statements been prepared using the same basis of accounting as Boyd County, Kentucky, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit of Boyd County, Kentucky, as of June 30, 2010, and the changes in financial position, thereof for the year ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Boyd County, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated June 14, 2011 on our consideration of Boyd County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following report comments:

- 2010-01 The County Spent \$352,890 That Was Not Shown On Their Financial Reports And Not Approved By The Fiscal Court
- 2010-02 The County Should Bid All Expenditures Over \$20,000
- 2010-03 Invoices Should Be Paid Within Thirty Working Days
- 2010-04 Interfund Transfers Of \$3,491,003 Were Not Approved By The County

Respectfully submitted,



Crit Luallen
 Auditor of Public Accounts

June 14, 2011

BOYD COUNTY OFFICIALS

For The Year Ended June 30, 2010

Fiscal Court Members:

William C. Stevens	County Judge/Executive
David Salisbury	Commissioner
Tom Jackson	Commissioner
Carl Tolliver	Commissioner

Other Elected Officials:

Phillip Hedrick	County Attorney
Joe Burchett	Jailer
Debbie Jones	County Clerk
Linda Baker	Circuit Court Clerk
Terry Keelin	Sheriff
Charles Adkins	Property Valuation Administrator
Christopher Stewart	Coroner

Appointed Personnel:

Billie Zellers	County Treasurer
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BOYD COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

BOYD COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

	Primary Government			Component
	Governmental	Business-Type	Totals	Unit
	Activities	Activities		
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,965,184	\$ 63,833	\$ 2,029,017	\$ 938,336
Notes Receivable	10,000		10,000	1,711
Accounts Receivable				616,274
Accrued Interest Receivable				318
Total Current Assets	1,975,184	63,833	2,039,017	1,556,639
Noncurrent Assets:				
Notes Receivable	450,000		450,000	39,922
Restricted Cash				81,855
Intangible Assets - Net of Accumulated Depreciation				
Depreciation	385,044		385,044	19,790
Capital Assets - Net of Accumulated Depreciation				
Land and Land Improvements	5,022,169		5,022,169	
Construction In Progress	16,767,703		16,767,703	
Buildings and Building Improvements	7,505,058		7,505,058	
Vehicles and Equipment	1,535,990	9,416	1,545,406	
Transmission Lines and Equipment	14,838,294		14,838,294	6,734,304
Infrastructure	8,199,798		8,199,798	
Total Noncurrent Assets	54,704,056	9,416	54,713,472	6,875,871
Total Assets	56,679,240	73,249	56,752,489	8,432,510
LIABILITIES				
Current Liabilities:				
Accounts Payable				265,558
Accrued Payroll Liabilities				8,140
Accrued Interest Payable				44,689
Lawsuit Settlement Payable				40,000
Bonds Payable	1,180,000		1,180,000	52,000
Financing Obligations Payable	499,711		499,711	7,878
Total Current Liabilities	1,679,711		1,679,711	418,265
Noncurrent Liabilities:				
Lawsuit Settlement Payable				80,000
Bonds Payable	25,265,000		25,265,000	1,919,000
Financing Obligations Payable	17,594,996		17,594,996	147,755
Total Noncurrent Liabilities	42,859,996		42,859,996	2,146,755
Total Liabilities	44,539,707		44,539,707	2,565,020

The accompanying notes are an integral part of the financial statements.

BOYD COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2010
(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 10,164,349	\$ 9,416	\$ 10,173,765	\$ 4,607,671
Restricted For:				
Capital Projects	674,279		674,279	
Loan Payments				11,166
Unrestricted	1,300,905	63,833	1,364,738	1,248,653
Total Net Assets	<u>\$ 12,139,533</u>	<u>\$ 73,249</u>	<u>\$ 12,212,782</u>	<u>\$ 5,867,490</u>

The accompanying notes are an integral part of the financial statements.

BOYD COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010

BOYD COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 6,832,673	\$ 1,339,503	\$ 522,033	\$ 2,184,197
Protection to Persons and Property	4,103,933	794,653		
General Health and Sanitation	2,501,148	55,822		
Social Services	10,554			
Recreation and Culture	1,336,853			
Roads	2,947,556	31,160	561,450	979,274
Airports	15,000			
Transportation Facilities and Services	14,652			
Road Facilities	68,512			
Interest on Long-term Debt	2,145,112			
Capital Projects	2,437,747			
Total Governmental Activities	22,413,740	2,221,138	1,083,483	3,163,471
Business-type Activities:				
Jail Canteen	160,226	165,522		
Total Business-type Activities	160,226	165,522		
Total Primary Government	\$ 22,573,966	\$ 2,386,660	\$ 1,083,483	\$ 3,163,471
Component Units:				
Boyd County Sanitation District No. 4	\$ 2,944,391	\$ 3,107,983	\$ 744,387	\$

General Revenues:

Taxes:
Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Occupational Taxes
Net Profits Tax
E-911 Tariff
Other Taxes
Excess Fees
Sheriff Fee Pooling
Unrestricted Investment Earnings
Surplus Sales
Reimbursements
Miscellaneous Revenues
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning (Restated)
Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

BOYD COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Totals	Component Units
\$ (2,786,940)	\$	\$ (2,786,940)	\$
(3,309,280)		(3,309,280)	
(2,445,326)		(2,445,326)	
(10,554)		(10,554)	
(1,336,853)		(1,336,853)	
(1,375,672)		(1,375,672)	
(15,000)		(15,000)	
(14,652)		(14,652)	
(68,512)		(68,512)	
(2,145,112)		(2,145,112)	
(2,437,747)		(2,437,747)	
(15,945,648)		(15,945,648)	
	5,296	5,296	
	5,296	5,296	
(15,945,648)	5,296	(15,940,352)	
			907,979
3,085,718		3,085,718	
141,814		141,814	
259,229		259,229	
3,786,842		3,786,842	
602,476		602,476	
1,121,847		1,121,847	
1,208,768		1,208,768	
141,819		141,819	
1,532,135		1,532,135	
41,240		41,240	
181,879		181,879	
429,332		429,332	
1,025,974		1,025,974	
13,559,073		13,559,073	
(2,386,575)	5,296	(2,381,279)	907,979
14,526,108	67,953	14,594,061	4,959,511
\$ 12,139,533	\$ 73,249	\$ 12,212,782	\$ 5,867,490

The accompanying notes are an integral part of the financial statements.

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BOYD COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

BOYD COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Revolving Loan Fund
ASSETS					
Cash and Cash Equivalents	\$ 52,394	\$ 114,932	\$ 6,153	\$ 21,435	\$ 104,062
Total Assets	<u>52,394</u>	<u>114,932</u>	<u>6,153</u>	<u>21,435</u>	<u>104,062</u>
FUND BALANCES					
Reserved for:					
Construction					
Unreserved:					
General Fund	52,394				
Special Revenue Funds		114,932	6,153	21,435	104,062
Debt Service Funds					
Total Fund Balances	<u>\$ 52,394</u>	<u>\$ 114,932</u>	<u>\$ 6,153</u>	<u>\$ 21,435</u>	<u>\$ 104,062</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 1,965,184
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	72,478,770
Accumulated Depreciation	(18,609,758)
Debt Issue Costs Incurred In Governmental Activities Are Expensed At The Fund Level,	
While Amortized Over The Life Of The Debt At The Government-Wide Level.	385,044
Loans To, And Payments On Behalf Of Other Governmental Agencies Are Expensed At	
The Fund Level While Reflected As Receivable From The Outside Agency At The	
Government-Wide Level.	460,000
Long-term debt is not due and payable in the current period and, therefore, is not	
reported in the funds.	
Financing Obligations	(18,094,707)
Bonds	(26,445,000)
Net Assets Of Governmental Activities	<u>\$ 12,139,533</u>

The accompanying notes are an integral part of the financial statements.

BOYD COUNTY**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS****June 30, 2010****(Continued)**

County Emergency Fund	Sewer Fund	Capital Projects Corporation Fund	Total Governmental Funds
<u>\$ 17,784</u>	<u>\$ 716,930</u>	<u>\$ 931,494</u>	<u>\$ 1,965,184</u>
<u>17,784</u>	<u>716,930</u>	<u>931,494</u>	<u>1,965,184</u>
		674,279	674,279
			52,394
17,784			264,366
<u>17,784</u>	<u>716,930</u>	<u>257,215</u>	<u>974,145</u>
<u>\$ 17,784</u>	<u>\$ 716,930</u>	<u>\$ 931,494</u>	<u>\$ 1,965,184</u>

The accompanying notes are an integral part of the financial statements.

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BOYD COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

BOYD COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
REVENUES				
Taxes	\$ 10,841,156	\$	\$	\$
In Lieu Tax Payments	106,759			
Excess Fees	141,819			
Licenses and Permits	4,050			
Intergovernmental	2,081,612	1,174,944	629,616	365,780
Charges for Services	59,816	31,160	164,808	
Miscellaneous	1,443,982	194,051	139,682	
Interest	12,202	649	73	806
Total Revenues	<u>14,691,396</u>	<u>1,400,804</u>	<u>934,179</u>	<u>366,586</u>
EXPENDITURES				
General Government	4,247,802			40,000
Protection to Persons and Property	1,319,304		2,646,695	
General Health and Sanitation	815,088			
Social Services				10,554
Recreation and Culture	1,303,895			10,000
Roads		3,967,232		10,626
Airports				15,000
Transportation Facilities and Services	14,652			
Road Facilities		68,512		
Debt Service	69,114	7,370	275,327	
Capital Projects				
Administration	3,186,807	549,111	565,663	
Total Expenditures	<u>10,956,662</u>	<u>4,592,225</u>	<u>3,487,685</u>	<u>86,180</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>3,734,734</u>	<u>(3,191,421)</u>	<u>(2,553,506)</u>	<u>280,406</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds	340,768	246,021		
Transfers From Other Funds	2,869,913	4,092,197	2,872,072	40,000
Transfers To Other Funds	(8,292,621)	(1,138,228)	(419,711)	(525,138)
Total Other Financing Sources (Uses)	<u>(5,081,940)</u>	<u>3,199,990</u>	<u>2,452,361</u>	<u>(485,138)</u>
Net Change in Fund Balances	(1,347,206)	8,569	(101,145)	(204,732)
Fund Balances - Beginning (Restated)	1,399,600	106,363	107,298	226,167
Fund Balances - Ending	<u>\$ 52,394</u>	<u>\$ 114,932</u>	<u>\$ 6,153</u>	<u>\$ 21,435</u>

The accompanying notes are an integral part of the financial statements.

BOYD COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

Revolving Loan Fund	County Emergency Fund	Sewer Fund	Capital Projects Corporation Fund	Total Governmental Funds
\$	\$	\$	\$	\$ 10,841,156
				106,759
				141,819
				4,050
			1,434,197	5,686,149
				255,784
250		422,243	750,000	2,950,208
2,200	3,740	9,867	11,703	41,240
2,450	3,740	432,110	2,195,900	20,027,165
341,046				4,628,848
				3,965,999
		334,688		1,149,776
				10,554
				1,313,895
				3,977,858
				15,000
				14,652
				68,512
		1,272,303	2,486,792	4,110,906
			2,419,546	2,419,546
			7,100	4,308,681
341,046		1,606,991	4,913,438	25,984,227
(338,596)	3,740	(1,174,881)	(2,717,538)	(5,957,062)
				586,789
	191,703	1,479,499	1,124,146	12,669,530
(175,000)	(950,000)	(365,000)	(803,832)	(12,669,530)
(175,000)	(758,297)	1,114,499	320,314	586,789
(513,596)	(754,557)	(60,382)	(2,397,224)	(5,370,273)
617,658	772,341	777,312	3,328,718	7,335,457
\$ 104,062	\$ 17,784	\$ 716,930	\$ 931,494	\$ 1,965,184

The accompanying notes are an integral part of the financial statements.

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BOYD COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

BOYD COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (5,370,273)

Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	4,290,346
Depreciation Expense	(2,491,118)
Assets disposed of, net book value	(166,334)

Governmental entities report loans made to and payments received from other entities as revenues and expenditures, however, in the Statement Of Activities those amounts are not recorded because they are a reduction of corresponding assets and liabilities.

Notes Receivable	(10,000)
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The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Debt Issue Costs Amortization	(18,201)
Financing Obligation Proceeds	(586,789)
Financing Obligations Payments	775,000
Bond Payments	1,140,000
Sewer Fund Payment to Sanition District No 1	50,794

Change in Net Assets of Governmental Activities	\$ (2,386,575)
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BOYD COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

BOYD COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 63,833
Total Current Assets	<u>63,833</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	23,540
Less Accumulated Depreciation	<u>(14,124)</u>
Total Noncurrent Assets	<u>9,416</u>
Total Assets	<u>73,249</u>
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	9,416
Unrestricted	<u>63,833</u>
Total Net Assets	<u><u>\$ 73,249</u></u>

The accompanying notes are an integral part of the financial statements.

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BOYD COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

BOYD COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 164,847
Total Operating Revenues	<u>164,847</u>
Operating Expenses	
Cost of Sales	101,638
Recreation and Entertainment	44,173
Depreciation	<u>4,708</u>
Total Operating Expenses	<u>150,519</u>
Operating Income (Loss)	<u>14,328</u>
Nonoperating Revenues (Expenses)	
Interest Income	322
Inmate Pay From State	353
Inmate Refunds	<u>(9,707)</u>
Total Nonoperating Revenues (Expenses)	<u>(9,032)</u>
Change In Net Assets	5,296
Total Net Assets - Beginning (Restated)	<u>67,953</u>
Total Net Assets - Ending	<u><u>\$ 73,249</u></u>

The accompanying notes are an integral part of the financial statements.

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BOYD COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

BOYD COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers for Sales	\$ 164,847
Payments to Vendors	(101,638)
Recreation and Maintenance	(44,173)
Net Cash Provided By Operating Activities	<u>19,036</u>
Cash Flows From Noncapital Financing Activities	
Inmate Pay From State	353
Inmate Refunds on Accounts	(9,707)
Net Cash Provided By Noncapital Financing Activities	<u>(9,354)</u>
Cash Flows From Investing Activities	
Interest Earned	<u>322</u>
Net Cash Provided By Investing Activities	<u>322</u>
Net Increase (Decrease) in Cash and Cash Equivalents	10,004
Cash and Cash Equivalents - July 1 (Restated)	<u>53,829</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 63,833</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	Jail Canteen Fund
Operating Income (Loss)	\$ 14,328
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	<u>4,708</u>
Net Cash Provided By Operating Activities	<u><u>\$ 19,036</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The primary government presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. However, the financial statements of the Boyd County Sanitation District No. 4, a discretely presented component unit, is prepared on the accrual basis, in accordance with accounting principles generally accepted in the United States of America. The financial information of this discretely presented component unit is included in the government-wide Statement of Net Assets and Statement of Activities.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Boyd County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

Boyd County Capital Projects Corporation

The Boyd County Capital Projects Corporation (BCCPC) is a legally separate entity established to provide long-term debt service for the Fiscal Court. The BCCPC's governing body consists entirely of Fiscal Court members. Therefore, management must include the BCCPC as a component unit, and the BCCPC's financial activity has been blended with that of the Fiscal Court.

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the data for the Boyd County Sanitation District No. 4. This is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as “Component Unit” to emphasize this organization’s separateness from the fiscal court’s primary government.

Boyd County Sanitation District No. 4

The Boyd County Fiscal court appoints all of the Boyd County Sanitation District No. 4’s (SD4) governing board. As of April 1, 2009, SD4 began operating under an agreement to operate and maintain certain sewer facilities that were previously operated by the Boyd County Fiscal Court. The agreement requires the Boyd County Fiscal Court to subsidize SD4 financially by paying SD4 15% of all sums collected under the tax on wages earned in the county, pursuant to the County’s Occupational License Fee. All capital assets necessary for the operation and maintenance of the former Boyd County Sanitary Sewer System are leased to SD4 at the rate of \$1 per year until the debt secured by such assets is satisfied in full. The financial information for SD4 is presented discretely within Boyd County’s financial statements.

Audited financial statements for the Sanitation District No. 4 of Boyd County, Kentucky, a discretely presented component unit, may be requested by contacting the Sanitation District No. 4 of Boyd County, Kentucky, 831 State Route 716, Ashland, Kentucky, 41102.

C. Boyd County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Boyd County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Boyd County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - These funds may be spent for public safety, environmental protection, public transportation, health, recreation, libraries, social services, as well as industrial and economic development. In no event shall these funds be used for expenses relating to administration of government. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Revolving Loan Fund - This fund is used to account for resources employed for economic development and stimulating the local economy through capital outlay and other programs.

County Emergency Fund - This fund is used to account for funds set aside by the fiscal court for unforeseen emergencies.

Sewer Fund - This fund accounts for construction grants received for the construction of additional sewer lines and the debt service payments on debt incurred for the construction of sewer lines. The sewer system is now maintained and operated by the Boyd County Sanitation District No. 4 in Boyd County.

Capital Projects Corporation Fund - This fund accounts for the financing and construction of major capital facilities. This fund is involved with the jail expansion project, the road department building, the jail/pedway project, and the new justice center project.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Revolving Loan, and County Emergency Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Debt Service Funds:

The Sewer Fund and Capital Projects Corporation Fund are presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Presentation of Component Units

The financial statements present the following major discretely presented component unit: Boyd County Sanitation District No. 4.

This component unit is presented on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organization's separateness from the fiscal court's primary government.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Jointly Governed Organizations

A jointly governed organization is an entity that results from a multi-governmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating governments. The Northeast Kentucky Regional Industrial Park Authority meets the criteria noted above and is disclosed as an organization jointly governed by the Kentucky counties of Boyd, Carter, Elliott, Greenup and Lawrence. The Boyd/Greenup Riverport Authority also meets the criteria noted above and is disclosed as an organization jointly governed by the Kentucky counties of Boyd and Greenup. In addition, the 911 Board (Regional Public Safety Communication Center) and the Airport Board meet the above criteria. The 911 Board is jointly governed by Boyd County and the cities of Ashland and Catlettsburg. The Airport Board is jointly governed by Boyd County and the city of Ashland. Separately issued financial statements can be obtained from the respective authorities.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(D). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of June 30, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Reporting Entity			
	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 4,462,155	\$ 560,014	\$	\$ 5,022,169
Construction In Progress	15,066,358	1,701,345		16,767,703
Total Capital Assets Not Being Depreciated	19,528,513	2,261,359		21,789,872
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	10,268,062			10,268,062
Vehicles and Equipment	3,119,233	564,345	(232,946)	3,450,632
Transmission Lines and Equipment	26,693,997			26,693,997
Infrastructure	8,811,565	1,464,642		10,276,207
Total Capital Assets Being Depreciated	48,892,857	2,028,987	(232,946)	50,688,898
Less Accumulated Depreciation For:				
Buildings and Building Improvements	(2,528,479)	(234,525)		(2,763,004)
Vehicles and Equipment	(1,578,797)	(402,457)	66,612	(1,914,642)
Transmission Lines and Equipment	(10,515,377)	(1,340,326)		(11,855,703)
Infrastructure	(1,562,599)	(513,810)		(2,076,409)
Total Accumulated Depreciation	(16,185,252)	(2,491,118)	66,612	(18,609,758)
Total Capital Assets, Being Depreciated, Net	32,707,605	(462,131)	(166,334)	32,079,140
Governmental Activities Capital Assets, Net	\$ 52,236,118	\$ 1,799,228	\$ (166,334)	\$ 53,869,012

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 146,503
Protection to Persons and Property	210,001
General Health and Sanitation	1,351,372
Recreation and Culture	35,747
Roads, Including Depreciation of General Infrastructure Assets	<u>747,495</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,491,118</u>

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 3. Capital Assets (Continued)

Capital asset activity for Business-Type Activities for the year ended June 30, 2010 was as follows:

	Reporting Entity			
	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 23,540	\$	\$	\$ 23,540
Total Capital Assets Being Depreciated	23,540			23,540
Less Accumulated Depreciation For:				
Vehicles and Equipment	(9,416)	(4,708)		(14,124)
Total Accumulated Depreciation	(9,416)	(4,708)		(14,124)
Total Capital Assets, Being Depreciated, Net	14,124	(4,708)		9,416
Business-Type Activities Capital Assets, Net	\$ 14,124	\$ (4,708)	\$ 0	\$ 9,416

Depreciation expense was charged to functions of the Business-Type Activities as follows:

<u>Business-Type Activities:</u>	
Jail Canteen	\$ 4,708
Total Depreciation Expense - Business-Type Activities	<u>\$ 4,708</u>

Note 4. Receivables

On January 12, 2006, Boyd County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACo) on behalf of the Boyd/Greenup Riverport Authority (Riverport Authority). Lease proceeds of \$500,000 were paid directly to the Riverport Authority. The Riverport Authority makes scheduled lease payments directly to KACo. A receivable due from the Riverport Authority in the amount of the lease principal outstanding is included on the financial statements. The repayment schedule for the Riverport Authority is identical to the repayment schedule for the lease. As of June 30, 2010, the amount of the receivable was \$460,000. The receivable amount corresponds to the KACo Lease – Boyd/Greenup Riverport Authority outstanding as of June 30, 2010. (See Note 5.C)

Note 5. Long-term Debt

A. KADD Financing Obligation – County Detention Center

On May 16, 2002, Boyd County entered into a financing obligation agreement with the Kentucky Area Development District Financing Trust (KADD) to finance the expansion of the county detention center. The agreement was for \$500,000 at an average interest rate of 5.04%. The agreement had a term of 20 years with a maturity date of May 20, 2022. On June 1, 2010 this agreement was paid in full.

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt (Continued)

B. KADD Financing Obligation – County Detention Center

On June 20, 2002, Boyd County entered into a financing obligation agreement with the Kentucky Area Development District Financing Trust (KADD) for additional financing for the detention center project. The agreement was for \$2,165,000 at an average interest rate of 5.25%. The agreement has a term of 30 years with a maturity date of November 20, 2032. Payments are due semi-annually on May 20th and November 20th of each year. The amount outstanding under this agreement was \$1,890,000 at June 30, 2010. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 45,000	\$ 97,938
2012	45,000	96,038
2013	50,000	93,995
2014	50,000	91,770
2015	55,000	89,355
2016-2020	315,000	403,734
2021-2025	405,000	310,586
2026-2030	530,000	186,612
2031-2033	395,000	34,663
Totals	<u>\$ 1,890,000</u>	<u>\$ 1,404,691</u>

C. KACO Financing Obligation – Boyd/Greenup Riverport Authority

On January 12, 2006, Boyd County entered into a financing obligation agreement with the Kentucky Association of Counties on behalf of the Boyd/Greenup Riverport Authority. The agreement was for \$500,000 with a variable interest rate. The agreement has a term of 28 years with a maturity date of July 20, 2033. Interest payments are due monthly with one principal payment due on July 20th of each year. The amount outstanding under this agreement was \$460,000 at June 30, 2010. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 10,000	\$ 18,980
2012	10,000	18,923
2013	10,000	18,492
2014	10,000	18,071
2015	10,000	17,641
2016-2020	70,000	79,894
2021-2025	90,000	62,885
2026-2030	125,000	39,826
2031-2034	125,000	9,473
Totals	<u>\$ 460,000</u>	<u>\$ 284,185</u>

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt (Continued)

D. General Obligation Bonds – Series 2004

On May 28, 2004, the Boyd County Capital Projects Corporation issued general obligation refunding and improvement bonds, series 2004 in the amount of \$3,755,000. The proceeds of this issue were used to finance various projects including the detention center, vehicle maintenance, and transportation facility projects. The bonds were issued at variable interest rates ranging from 2.0% to 4.7% with a retirement date of March 1, 2024. Annual principal payments are due on March 1st of each year and semi-annual interest payments are due on March 1st and September 1st of each year. The outstanding bond principal at June 30, 2010 was \$1,790,000. Bond payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 350,000	\$ 69,668
2012	370,000	58,468
2013	70,000	45,980
2014	75,000	43,356
2015	80,000	40,542
2016-2020	430,000	152,338
2021-2024	415,000	49,848
Totals	<u>\$ 1,790,000</u>	<u>\$ 460,200</u>

E. General Obligation Bonds – Series 2005

On March 1, 2005, the Boyd County Capital Projects Corporation issued general obligation public project improvement bonds, series 2005 in the amount of \$3,500,000. The proceeds of this issue were used to finance the completion of the detention center and transportation facilities projects. The bonds were issued with an average interest rate of 5.0% with a retirement date of March 1, 2035. Annual principal payments are due on March 1st of each year and semi-annual interest payments are due on March 1st and September 1st of each year. The outstanding bond principal at June 30, 2010 was \$3,230,000. Bond payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 75,000	\$ 160,065
2012	80,000	157,065
2013	80,000	153,545
2014	85,000	150,025
2015	90,000	146,115
2016-2020	480,000	663,875
2021-2025	610,000	532,125
2026-2030	755,000	365,625
2031-2035	975,000	154,275
Totals	<u>\$ 3,230,000</u>	<u>\$ 2,482,715</u>

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt (Continued)

F. KADD Financing Obligation – County Detention Center

On July 17, 2006, Boyd County entered into a financing obligation agreement with the Kentucky Area Development District (KADD) for additional financing for the completion of the jail and prisoner pedway project. The agreement was for \$2,000,000 at an average interest rate of 5.05%. The agreement has a term of 30 years with a maturity of May 1, 2036. Payments are due semi-annually on November 1st and May 1st of each year. The amount outstanding under this agreement was \$1,845,000 as of June 30, 2010. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 35,000	\$ 94,180
2012	40,000	93,588
2013	40,000	90,768
2014	40,000	88,948
2015	45,000	87,048
2016-2020	255,000	401,053
2021-2025	325,000	330,790
2026-2030	415,000	238,198
2031-2035	525,000	119,327
2036	125,000	6,813
Totals	<u>\$ 1,845,000</u>	<u>\$ 1,550,713</u>

G. First Mortgage Revenue Bonds Series 2007- Justice Center

On July 1, 2007, the Boyd County Capital Projects Corporation issued first mortgage revenue bonds to provide funding for the construction of the Boyd County Judicial Center. The total bond issue was in the amount of \$18,855,000, with interest rates varying between 4.125% and 4.625%. Interest is payable on February 1 and August 1 of each year. At the date of sale, there was \$38,706 in accrued interest that was remitted to the Public Properties Corporation along with the bond proceeds. Funding of the debt service is provided by a lease arrangement with the Commonwealth of Kentucky Administrative Office of the Courts. Bonds outstanding as of June 20, 2010 were \$17,565,000. Debt service requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 680,000	\$ 754,925
2012	710,000	726,256
2013	735,000	696,453
2014	760,000	665,619
2015	790,000	633,650
2016-2020	4,460,000	2,631,819
2021-2025	5,500,000	1,551,478
2026-2028	3,930,000	284,912
Totals	<u>\$ 17,565,000</u>	<u>\$ 7,945,112</u>

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt (Continued)

H. KACo Financing Obligation – Mack Trucks

On December 15, 2008, Boyd County borrowed \$207,918 under a financing obligation agreement with the Kentucky Association of Counties Leasing Trust to finance the purchase of two trucks for the road department. The agreement has a variable interest rate and has a maturity date of December 20, 2013. The outstanding principal at June 30, 2010 was \$207,918. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 45,000	\$ 7,889
2012	50,000	6,057
2013	55,000	3,852
2014	57,918	1,352
Totals	<u>\$ 207,918</u>	<u>\$ 19,150</u>

I. Daimler Truck Financial – Sterling Trucks

On December 22, 2009, Boyd County borrowed \$246,021 under a financing obligation agreement with Daimler Truck Financial to finance the purchase of two trucks for the road department. The agreement carries an interest rate of 4.79% and has a maturity date of December 22, 2014. The outstanding principal at June 30, 2010 was \$246,021. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 44,711	\$ 11,782
2012	46,853	9,641
2013	49,097	7,397
2014	51,448	5,046
2015	53,912	2,582
Totals	<u>\$ 246,021</u>	<u>\$ 36,448</u>

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt (Continued)

J. KADD Agreement – Sewer Line Extension

On August 13, 2003, Boyd County entered into a financing obligation agreement with the Kentucky Area Development District Financing Trust (KADD) to finance the county's sewer line extension project. The agreement was for \$8,925,000 at an average interest rate of 5.48%. The agreement has a term of 30 years with a maturity date of April 20, 2033. Annual principal payments are due on April 20th of each year and semi-annual interest payments are due on April 20th and October 20th of each year. The outstanding principal at June 30, 2010 was \$7,745,000. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 190,000	\$ 419,823
2012	195,000	412,223
2013	205,000	404,228
2014	215,000	395,618
2015	225,000	386,265
2016-2020	1,290,000	1,755,735
2021-2025	1,660,000	1,370,340
2026-2030	2,160,000	848,803
2031-2033	1,605,000	189,525
Totals	<u>\$ 7,745,000</u>	<u>\$ 6,182,560</u>

K. KADD Agreement – Sewer Line Extension

On August 5, 2004, Boyd County entered into a second financing obligation agreement with the Kentucky Area Development District Financing Trust (KADD) for additional financing of the county's sewer line extension project. The agreement was for \$490,000 at an average interest rate of 5.06%. The agreement has a term of 20 years with a maturity date of August 20, 2024. Annual principal payments are due on August 20th of each year and semi-annual interest payments are due on February 20th and August 20th of each year. The outstanding principal at June 30, 2010 was \$410,000. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 20,000	\$ 21,645
2012	20,000	20,695
2013	20,000	19,745
2014	20,000	18,795
2015	25,000	17,720
2016-2020	135,000	68,365
2021-2025	170,000	27,013
Totals	<u>\$ 410,000</u>	<u>\$ 193,978</u>

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt (Continued)

L. KADD Agreement – Sewer Line Extension

On May 12, 2005, Boyd County entered into a third financing obligation agreement with the Kentucky Area Development District Financing Trust (KADD) for additional financing of the county's sewer line extension project. The agreement was for \$5,000,000 at an average interest rate of 5.15%. The agreement has a term of 30 years with a maturity date of June 1, 2035. Annual principal payments are due on June 1st of each year and semi-annual interest payments are due on June 1st and December 1st of each year. The outstanding principal at June 30, 2010 was \$4,635,000. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 100,000	\$ 238,133
2012	105,000	233,983
2013	110,000	229,520
2014	115,000	224,625
2015	120,000	219,508
2016-2020	680,000	1,005,188
2021-2025	865,000	814,420
2026-2030	1,110,000	565,888
2031-2035	1,430,000	239,505
Totals	<u>\$ 4,635,000</u>	<u>\$ 3,770,770</u>

M. KADD Agreement – Sewer Line Extension

On June 10, 2005, Boyd County entered into a fourth financing obligation agreement with the Kentucky Area Development District Financing Trust (KADD) for additional financing of the county's sewer line extension project. This agreement also refinanced an existing KADD agreement from 1997. The agreement was for \$365,000 at an average interest rate of 5.24%. The agreement has a term of 23 years with a maturity date of June 1, 2028. Annual principal payments are due on June 1st of each year and semi-annual interest payments are due on June 1st and December 1st of each year. The outstanding principal at June 30, 2010 was \$315,000. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 10,000	\$ 16,993
2012	10,000	16,537
2013	10,000	16,083
2014	10,000	15,628
2015	15,000	15,171
2016-2020	75,000	64,419
2021-2025	105,000	41,614
2026-2028	80,000	10,390
Totals	<u>\$ 315,000</u>	<u>\$ 196,835</u>

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt (Continued)

N. General Obligation Bonds – Series 2006

On December 29, 2006, the Boyd County Capital Projects Corporation issued general obligation public improvement bonds, series 2006 in the amount of \$4,000,000. The proceeds of this issue were used to finance the costs of the acquisition, construction, installation and equipping of improvements to the county sewer system. The bonds were issued with an average interest rate of 4.5% with a retirement date of December 1, 2036. Annual principal payments are due on March 1st of each year and semi-annual interest payments are due on June 1st and December 1st of each year. The outstanding bond principal at June 30, 2010 was \$3,860,000. Bond payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 75,000	\$ 180,926
2012	75,000	177,888
2013	80,000	174,710
2014	85,000	171,285
2015	85,000	167,715
2016-2020	500,000	777,478
2021-2025	635,000	648,563
2026-2030	810,000	477,903
2031-2035	1,025,000	257,628
2036-2037	490,000	25,755
Totals	<u>\$ 3,860,000</u>	<u>\$ 3,059,851</u>

O. Financing Obligation – Town Square Bank

On March 5, 2010, the Boyd County Fiscal Court entered into a financing obligation with Town Square Bank in the amount of \$350,000 as a line-of-credit. As of June 30, 2010, the county received \$341,268 from Town Square Bank that was used for baseball field renovations. The agreement has a variable interest rate, with a current rate of 4.0%. Annual interest payments begin March 5, 2011 and all outstanding principal plus accrued unpaid interest is payable on August 5, 2015. The outstanding principal as of June 30, 2010 was \$340,768. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$	\$ 12,022
2012		13,650
2013		13,650
2014		13,650
2015		13,650
2016	340,768	13,650
Totals	<u>\$ 340,768</u>	<u>\$ 80,272</u>

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt (Continued)

P. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 27,585,000	\$	\$ 1,140,000	\$ 26,445,000	\$ 1,180,000
Financing Obligations	18,282,918	586,789	775,000	18,094,707	499,711
Governmental Activities					
Long-term Liabilities	<u>\$ 45,867,918</u>	<u>\$ 586,789</u>	<u>\$ 1,915,000</u>	<u>\$ 44,539,707</u>	<u>\$ 1,679,711</u>

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.97 percent.

The county's contribution for FY 2008 was \$806,331, FY 2009 was \$770,545, and FY 2010 was \$1,017,117.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 6. Employee Retirement System (Continued)

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Insurance

For the fiscal year ended June 30, 2010, Boyd County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Annexation of Boyd County Sanitary Sewer System

On April 1, 2009, Boyd County transferred operations of the rural Boyd County Sanitary Sewer System to Boyd County Sanitation District No. 4 (SD4). SD4 assumed responsibilities for customer billings, maintenance, repair, and utilization of the system. Boyd County retained ownership of sewer facilities, property and equipment, and also maintained responsibility for all existing sewer related debt.

A contract, pursuant to the Interlocal Cooperation Act (KRS 65.210 to KRS 65.300), was signed in January 2010, which formally annexed the territorial boundary area of the rural Boyd County Sanitary Sewer System to SD4. The contract transferred all sewer facilities, property and related equipment from Boyd County to SD4, except for those items that are encumbered by debt. Encumbered assets are leased to SD4 at the rate of \$1 per year until such time as the debt secured by such assets is satisfied in full, at which time the assets will also be transferred to SD4.

Note 9. Subsequent Events

- A. On July 23, 2010, the Boyd County Fiscal Court issued 2010 Tax and Revenue Anticipation Notes in the amount of \$2,400,000. The purpose of the notes is to meet current expenses and they mature on June 30, 2011.
- B. On July 2, 2010, the Boyd County Fiscal Court entered into a lease agreement with The Huntington National Bank in the amount of \$2,000,000 for repairs and renovation of the courthouse. The agreement has an interest rate of 3.7% and a term of 10 years with a maturity date of June 20, 2020. In March 2011, the Boyd County Fiscal Court issued General Obligation Refunding and Improvement Bonds, Series 2011, in the amount of \$2,700,000 in pay The Huntington National Bank in full, with the remaining funds to be used to complete the repairs and renovation of the courthouse.

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 10. Prior Period Adjustments

A. Governmental Activities

The Sewer Fund was shown in the prior year audit report as a business-type activity. The table below includes the adjustments necessary to report the Sewer Fund in governmental activities, since the Sewer Fund no longer operates the sewer system. The sewer system is now maintained and operated by the Boyd County Sanitation District No. 4 in Boyd County.

	Governmental Activities	General Fund	Road Fund	Jail Fund
Beginning Balance	\$ 14,435,533	\$ 1,394,668	\$ 74,123	\$ 107,298
Adjustments:				
Prior Year Voided Checks	5,976	4,932	484	
Prior Year Misstatement	(24,302)		31,756	
Cash and Cash Equivalents	829,448			
Debt Issue Costs	249,171			
Liabilities-				
Due Sanitation District No. 1	(50,794)			
Financing Obligations	(13,415,000)			
Bonds Payable	(3,930,000)			
Capital Assets-				
Land and Land Improvements	230,074			
Buildings and Building Improvements	16,263			
Vehicles and Equipment	76,760			
Transmission Lines and Equipment	26,693,997			
Accumulated Depreciation-				
Buildings and Building Improvements	(7,724)			
Vehicles and Equipment	(67,917)			
Transmission Lines and Equipment	(10,515,377)			
Restated Beginning Balance	<u>\$ 14,526,108</u>	<u>\$ 1,399,600</u>	<u>\$ 106,363</u>	<u>\$ 107,298</u>

A. Governmental Activities (Continued)

[illegible]

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 10. Prior Period Adjustments (Continued)

B. Business-Type Activities

	Business-Type Activities	Sewer Fund	Jail Canteen Fund
Beginning Balance	\$ 175,022	\$ 108,902	\$ 66,120
Adjustments:			
Cash and Cash Equivalents	(827,615)	(829,448)	1,833
Debt Issue Costs	(249,171)	(249,171)	
Prior Year Voided Checks			
Prior Year Misstatement			
Receivable Not Reported			
In Prior Year			
Liabilities-			
Due Sanitation District No. 1	50,794	50,794	
Financing Obligations	13,415,000	13,415,000	
Bonds Payable	3,930,000	3,930,000	
Capital Assets-			
Land and Land Improvements	(230,074)	(230,074)	
Buildings and Building Improvements	(16,263)	(16,263)	
Transmission Lines and Equipment	(26,770,758)	(26,770,758)	
Accumulated Depreciation-			
Buildings and Building Improvements	7,724	7,724	
Transmission Lines and Equipment	10,583,294	10,583,294	
Restated Beginning Balance	<u>\$ 67,953</u>	<u>\$</u>	<u>\$ 67,953</u>

BOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010

BOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 11,841,514	\$ 11,841,514	\$ 10,841,156	\$ (1,000,358)
In Lieu Tax Payments			106,759	106,759
Excess Fees	150,000	150,000	141,819	(8,181)
Licenses and Permits	117,100	117,100	4,050	(113,050)
Intergovernmental Revenue	2,846,548	3,541,234	2,081,612	(1,459,622)
Charges for Services	130,000	130,000	59,816	(70,184)
Miscellaneous	173,800	961,468	1,443,982	482,514
Interest	15,000	15,000	12,202	(2,798)
Total Revenues	15,273,962	16,756,316	14,691,396	(2,064,920)
EXPENDITURES				
General Government	3,982,016	4,450,384	4,247,802	202,582
Protection to Persons and Property	1,137,179	1,188,685	1,319,304	(130,619)
General Health and Sanitation	450,100	663,559	815,088	(151,529)
Recreation and Culture	1,574,553	1,712,253	1,303,895	408,358
Transportation Facilities and Services			14,652	(14,652)
Debt Service	118,006	93,006	69,114	23,892
Administration	2,014,504	2,649,237	3,186,807	(537,570)
Total Expenditures	9,276,358	10,757,124	10,956,662	(199,538)
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	5,997,604	5,999,192	3,734,734	(2,264,458)
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds			340,768	340,768
Transfers From Other Funds			2,869,913	2,869,913
Transfers To Other Funds	(7,340,030)	(7,340,030)	(8,292,621)	(952,591)
Total Other Financing Sources (Uses)	(7,340,030)	(7,340,030)	(5,081,940)	2,258,090
Net Changes in Fund Balance	(1,342,426)	(1,340,838)	(1,347,206)	(6,368)
Fund Balance - Beginning	1,342,426	1,364,565	1,399,600	35,035
Fund Balance - Ending	\$ 0	\$ 23,727	\$ 52,394	\$ 28,667

BOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,244,403	\$ 1,244,403	\$ 1,174,944	\$ (69,459)
Charges for Services	7,000	7,000	31,160	24,160
Miscellaneous	16,000	16,000	194,051	178,051
Interest	3,000	3,000	649	(2,351)
Total Revenues	<u>1,270,403</u>	<u>1,270,403</u>	<u>1,400,804</u>	<u>130,401</u>
EXPENDITURES				
Roads	4,336,184	4,329,465	3,967,232	362,233
Road Facilities	200,000	200,000	68,512	131,488
Debt Service	149,024	159,281	7,370	151,911
Administration	600,809	598,209	549,111	49,098
Total Expenditures	<u>5,286,017</u>	<u>5,286,955</u>	<u>4,592,225</u>	<u>694,730</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(4,015,614)</u>	<u>(4,016,552)</u>	<u>(3,191,421)</u>	<u>825,131</u>
OTHER FINANCING SOURCES (USES)				
Borrowed Money			246,021	246,021
Transfers From Other Funds	3,544,711	3,552,369	4,092,197	539,828
Transfers To Other Funds			(1,138,228)	(1,138,228)
Total Other Financing Sources (Uses)	<u>3,544,711</u>	<u>3,552,369</u>	<u>3,199,990</u>	<u>(352,379)</u>
Net Changes in Fund Balance	(470,903)	(464,183)	8,569	472,752
Fund Balance - Beginning	<u>470,903</u>	<u>470,903</u>	<u>106,363</u>	<u>(364,540)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 6,720</u>	<u>\$ 114,932</u>	<u>\$ 108,212</u>

BOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,390,200	\$ 1,390,200	\$ 629,616	\$ (760,584)
Charges for Services	117,000	117,000	164,808	47,808
Miscellaneous	110,240	110,240	139,682	29,442
Interest	500	500	73	(427)
Total Revenues	1,617,940	1,617,940	934,179	(683,761)
EXPENDITURES				
Protection to Persons and Property	2,530,593	2,530,593	2,646,695	(116,102)
Debt Service	776,374	776,374	275,327	501,047
Administration	756,292	756,292	565,663	190,629
Total Expenditures	4,063,259	4,063,259	3,487,685	575,574
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(2,445,319)	(2,445,319)	(2,553,506)	(108,187)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	2,445,319	2,445,319	2,872,072	426,753
Transfers To Other Funds			(419,711)	419,711
Total Other Financing Sources (Uses)	2,445,319	2,445,319	2,452,361	846,464
Net Changes in Fund Balance				
			(101,145)	(101,145)
Fund Balance - Beginning			107,298	107,298
Fund Balance - Ending	\$ 0	\$ 0	\$ 6,153	\$ 6,153

BOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 332,000	\$ 332,000	\$ 365,780	\$ 33,780
Miscellaneous	185,000	185,000		(185,000)
Interest	3,000	3,000	806	(2,194)
Total Revenues	520,000	520,000	366,586	(153,414)
EXPENDITURES				
General Government		40,000	40,000	
Social Services	21,000	45,000	10,554	34,446
Recreation and Culture	10,000	10,000	10,000	
Roads	644,300	620,300	10,626	609,674
Airports	10,000	10,000	15,000	(5,000)
Debt Service	205,000	205,000		205,000
Total Expenditures	890,300	930,300	86,180	844,120
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(370,300)	(410,300)	280,406	690,706
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds		40,000	40,000	
Transfers To Other Funds			(525,138)	(525,138)
Total Other Financing Sources (Uses)		40,000	(485,138)	(525,138)
Net Changes in Fund Balances	(370,300)	(370,300)	(204,732)	165,568
Fund Balances - Beginning	370,300	370,300	226,167	(144,133)
Fund Balances - Ending	\$ 0	\$ 0	\$ 21,435	\$ 21,435

BOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

	REVOLVING LOAN FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$	\$	\$ 250	\$ 250
Interest	3,000	3,000	2,200	(800)
Total Revenues	3,000	3,000	2,450	(550)
EXPENDITURES				
General Government	622,000	622,000	341,046	280,954
Total Expenditures	622,000	622,000	341,046	280,954
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(619,000)	(619,000)	(338,596)	280,404
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(175,000)	(175,000)
Total Other Financing Sources (Uses)			(175,000)	(175,000)
Net Changes in Fund Balances	(619,000)	(619,000)	(513,596)	105,404
Fund Balances - Beginning	619,000	619,000	617,658	(1,342)
Fund Balances - Ending	\$ 0	\$ 0	\$ 104,062	\$ 104,062

BOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

COUNTY EMERGENCY FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 3,000	\$ 3,000	\$ 3,740	\$ 740
Total Revenues	3,000	3,000	3,740	740
EXPENDITURES				
Debt Service	879,368	879,368		879,368
Total Expenditures	879,368	879,368		879,368
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(876,368)	(876,368)	3,740	880,108
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	150,000	150,000	191,703	41,703
Transfers To Other Funds			(950,000)	(950,000)
Total Other Financing Sources (Uses)	150,000	150,000	(758,297)	(908,297)
Net Changes in Fund Balances	(726,368)	(726,368)	(754,557)	(28,189)
Fund Balances - Beginning	726,368	726,368	772,341	45,973
Fund Balances - Ending	\$ 0	\$ 0	\$ 17,784	\$ 17,784

BOYD COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable William C. Stevens, Boyd County Judge/Executive
Members of the Boyd County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of Boyd County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated June 14, 2011, wherein we issued a qualified opinion on the discretely presented component unit and made reference to the report of other auditors. Boyd County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Boyd County Sanitation District No. 4 as described in our report on Boyd County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Boyd County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boyd County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Boyd County Fiscal Court's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Boyd County's financial statements as of and for the year ended June 30, 2010, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendation as items 2010-01, 2010-02, 2010-03, and 2010-04.

The Boyd County Judge/Executive's responses to the findings identified in our audit are included in the comments and recommendations. We did not audit the County Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a stylized, cursive script.

Crit Luallen
Auditor of Public Accounts

June 14, 2011

**BOYD COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2010

**BOYD COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2010

STATE LAWS AND REGULATIONS

2010-01 The County Spent \$352,890 That Was Not Shown On Their Financial Reports And Not Approved By The Fiscal Court

Boyd County Fiscal Court spent \$352,890 on baseball field renovations that was not reported on their quarterly financial reports submitted to the Department for Local Government. In addition, these expenditures were not approved by the fiscal court. The County Budget Preparation and State Local Finance Officer Policy Manual requires all county money to be reported on the financial statement whether it is included in the budget or not, pursuant to KRS 68.210. KRS 68.275 requires the County Judge/Executive to present all claims to the fiscal court for review prior to payment. We recommend all expenditures of the county be included on their financial statements and all claims be submitted to the fiscal court for their review and included in the fiscal court minute book.

County Judge/Executive's Response: Fiscal Court were provided with copies of all expenditures in regard to this debt as they occurred, and were approved in whole as far as payables. These types of expenditures will be noted on the minutes in the future as well as reported to DLG.

2010-02 The County Should Bid All Expenditures Over \$20,000

KRS 424.260 says when the county makes a contract, lease, or other agreement involving an expenditure of more than \$20,000, they must advertise for bids. The county purchased two trucks for the road department totaling \$169,019 and paid a contractor \$21,912 for a road project during fiscal year ending June 30, 2010. Since both of these expenditures were over \$20,000, the county should have advertised for bids. However, neither of these was advertised for bid. We recommend the county comply with KRS 424.260 and advertise for bids for purchases over \$20,000.

County Judge/Executive's Response: Fiscal Court determined that these vendors were state approved and were not required to secure bids.

Auditor's Reply: County did not have documentation and auditors could not find where the vendors were on the state price contract. If vendors are not on the state price contract, the expenditures should be bid or the county should keep detailed documentation of why it was not bid.

2010-03 Invoices Should Be Paid Within Thirty Working Days

We found seven invoices totaling \$921,546 that were not paid timely. KRS 65.140(2) states that all bills for goods or services shall be paid within thirty (30) working days of receipt of vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper invoicing by the vendor or by the vendor's subcontractor. It continues to state that if a payment of invoices exceeds 30 days, a 1% interest penalty should be added. We recommend that the county comply with KRS 65.140 by paying invoices within thirty (30) working days in the future.

County Judge/Executive's Response: Treasurer will be more diligent in regard to the timely payments in the future.

BOYD COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2010
(Continued)

STATE LAWS AND REGULATIONS (Continued)

2010-04 Interfund Transfers Of \$3,491,003 Were Not Approved By The County

During testing of interfund transfers, we discovered that the county did not approve interfund cash transfers of \$3,491,003. KRS 68.290 states: "The fiscal court may transfer money from one (1) budget fund to another to provide for emergencies or increases or decreases in county employment pursuant to KRS 64.530(4). We recommend the fiscal court approve all transfers in the future and provide documentation within the minutes to be in compliance with KRS 68.290. We further recommend that the Treasurer seek approval from the Fiscal Court prior to performing interfund transfers.

County Judge/Executive's Response: These are standing orders as well as approved at each court meeting as part of the bill approval process.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

BOYD COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2010**


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BOYD COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2010

The Boyd County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



William C. Stevens
County Judge/Executive



Billie Zellers
County Treasurer

